

Fairfax County Economic Index

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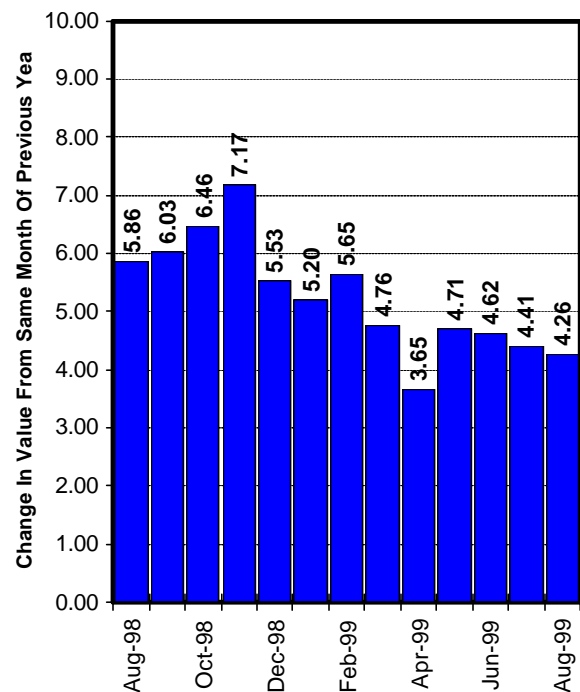
Economy Rebounds in August

The **Fairfax County Coincident Index**, which represents the current state of the County's economy, increased to 120.49 in August, a gain of 0.99 percent. This was the Index's first monthly increase since March. The Coincident Index is up just 0.02 percent year-to-date but still remains well ahead of its August 1998 level. In August, three of its four indicators were positive.

- Total employment was up for a second month after declining on a month-to-month basis in May and June;
- Transient occupancy tax collections, adjusted for inflation and seasonal variation, increased following two monthly declines; and
- Consumer Confidence increased after being down three of the previous four months; while,
- Sales tax receipts, adjusted for inflation and seasonal variation, dropped for a second month and for the fourth time in the last five months.

The **Fairfax County Leading Index**, which is designed to forecast the performance of the County's economy 9 to 12 months in advance, increased to 106.89 for a gain of 1.10 percent. This is the second consecutive monthly increase following three months of decline. Since January, the Leading Index has risen 1.02 percent and for

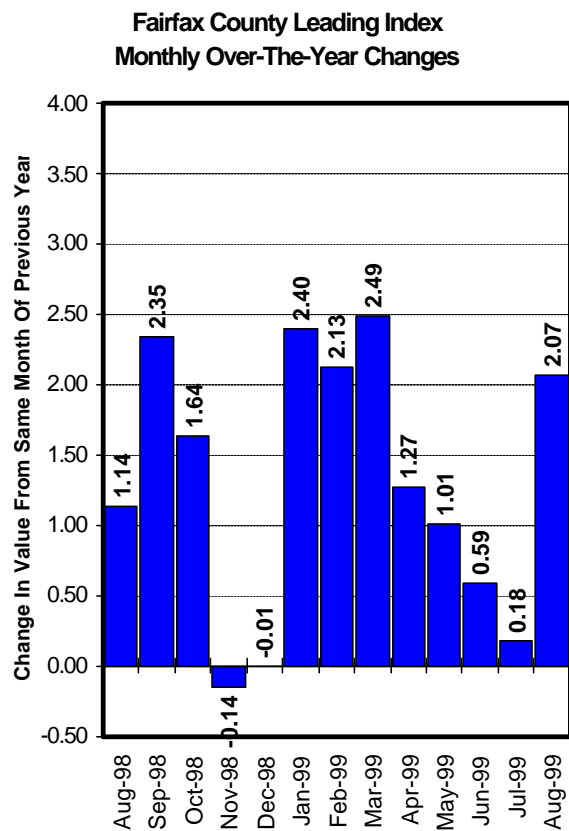
Fairfax County Coincident Index
Monthly Over-The-Year Changes



Source: Mason Enterprise Center, George Mason University

the last 12 months, it has gained 1.97 percent. In August, four of the Index's five components contributed to its gain.

- New automobile registrations increased moderately following July's sharp decline;



Source: Mason Enterprise Center, George Mason University

- Initial claims for unemployment insurance decreased (improved) for a second month;
- Residential building permits increased sharply for a second month; and
- The total value of residential building permits was up for a second month; while,
- Consumer expectations declined slightly for a second month.

After slowing for four months, the Fairfax County economy experienced broad-based acceleration in August with most of its indicators registering strong gains. This performance reverses a trend dating from March reflecting growing signs that the economy was finally slowing down after expanding for more than seven years. With both the Leading and Coincident Indices slowing through the second quarter, the signs seemed clear and, over the longer term, may still be correct. But for August, these slowing trends were turned around and

the economy rebounded performing as it had during the year's first quarter.

CURRENT CONDITIONS

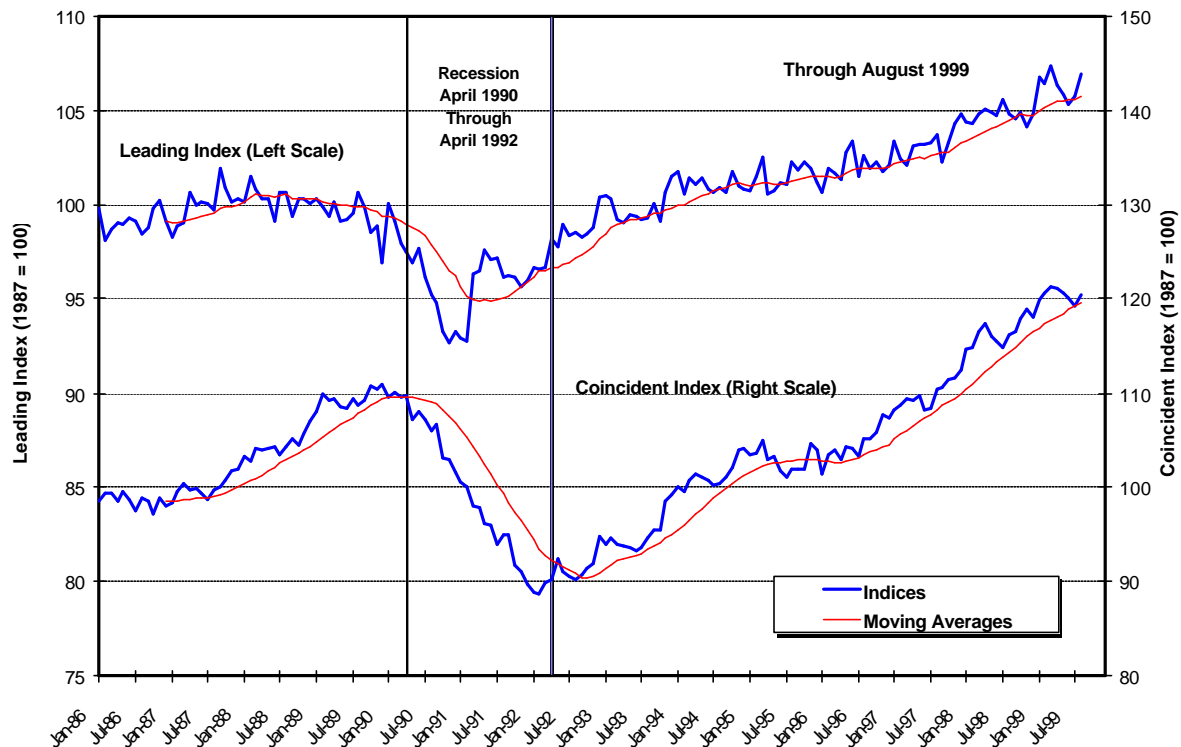
The economy's rebound in August reflects the County's continuing strong job growth and consumer spending for "big ticket" items. This performance also reflects July's slowdown. Still, the County economy added 23,348 new jobs, for a gain of 4.8 percent and accounted for 35 percent of all the new jobs generated in the Washington metropolitan area over the last twelve months. With this continuing strong labor market, unemployment inched lower to 1.36 percent, down from 1.6 percent a year ago. This small change represents the reduction of 1,115 in the number of unemployed County residents.

Where job growth provides a good measure of the economy's overall health, consumer spending measures the driving force behind the economy's expansion. Running counter to the recent increases in interest rates and the softening in consumer expectations, August auto sales registered a strong 7.5 percent gain from July and are running 30.5 percent ahead of last August sales. Also, after slowing in the early summer, residential building permits increased sharply in August gaining 74.9 percent over July and are also 75 percent ahead of the level in August. Not only is the number of permits up from July and over the year, but their value is up almost 18 percent in inflation adjusted dollars. These gains point to more housing construction in the future and a continuing shift favoring more expensive units, a pattern consistent with the growing wealth of the County's residents.

The important question is whether this rebound is a reversal of recent trends or just a one-month bounce. As the National economy appears to have cooled slightly and to be trending down going into the fourth quarter and into 2000, the County economy's health may become more closely tied to the health of the regional economy where as during the recovery and expansion, the strong national economy had supported the local economy. This may further increase the importance of consumer spending to the economy's performance.

At present, the future consumer spending patterns are not clear. Retail sales in the County

Business Cycle Indicators -- Fairfax County, Virginia



Source: Mason Enterprise Center, George Mason University

softened in August but remain 8.6 percent ahead of last year. While consumer confidence is up recently, it has slipped slightly since March and consumer expectations (confidence six months hence) has also softened. Further erosion of consumer confidence could dampen consumer spending going into the holiday season. The consequences of weaker retail sales would be slower overall growth in the region and county economies.

NEAR-TERM OUTLOOK

With the exception of its August performance, the Leading Index has been experiencing a slower growth rate since the beginning of the year. This slowdown has suggested that the Coincident Index will also begin to slow during the fourth quarter with this trend continuing into 2000. The Index's strong performance in August has not altered the Index's previous seven-month pattern pointing to slower future growth. However, the vitality of the County economy reconfirms its fundamental strengths. Even as the growth of the economy is leveling off, it has sustained high levels of job growth and further tightening of the labor market.

The signs of slower future growth have and will continue to be gradual and small. Weaker retail sales, as measured by tax collections, seem to contradict the economy's other indicators. The month-to-month retail sales trend is negative with declines outweighing gains 4 to 1 over the past five months. The slowing sales of new homes is a recent trend following strong gains dating back to 1995. This slowing is clear at the metropolitan scale as well as in the County where new home sales in July and August dropped below same-month sales from last year. Still, year-to-date, new home sales are 12 percent ahead of sales for the same period in 1998. And it is expected that more cautious consumers and higher interest rates will contribute to slower sales over the next six months as the economy slows. This slowing of consumer spending is likely to parallel slower job growth in early 2000 with these slowing trends continuing at least to mid-year. Growing inflationary pressures and increased uncertainty in financial markets that will in turn undercut consumer confidence could accelerate this pattern of slower growth.

Fairfax County, Virginia Economic Indicators Current and Previous Months

Economic Indicator	Estimates			Percent Change	
	Aug-99 Prelim.	Jul-99 Final	Aug-98 Final	Jul-99 to Aug-99	Aug-98 to Aug-99
Fairfax County Business Cycle Indicators					
Coincident Index (1987 = 100)	120.49	119.30	116.23	0.99	3.67
Leading Index (1987 = 100)	106.89	105.73	104.83	1.10	1.97
Fairfax County Coincident Index Components					
Total Covered Employment (Seasonally Adjusted)	507,788	504,241	484,443	0.70	4.82
<i>Total Covered Employment (Unadjusted)</i>	<i>507,834</i>	<i>507,019</i>	<i>484,486</i>	<i>0.16</i>	<i>4.82</i>
Transient Occupancy Tax (\$'000='87, Smoothed, Seasonally Adjusted)	277	266	267	3.88	3.44
<i>Transient Occupancy Tax (\$'000=Current, Smoothed Only)</i>	<i>491</i>	<i>457</i>	<i>465</i>	<i>7.43</i>	<i>5.55</i>
Sales Tax Receipts (\$'000='87, Seasonally Adjusted)	7,777	7,955	7,270	-2.23	6.98
<i>Sales Tax Receipts (\$'000=Current, Unadjusted)</i>	<i>9,531</i>	<i>9,932</i>	<i>8,773</i>	<i>-4.04</i>	<i>8.64</i>
South Atlantic Consumer Confidence	185	179	178	3.81	4.10
Fairfax County Leading Index Components					
New Automobile Registrations (Seasonally Adjusted)	5,962	5,548	4,570	7.46	30.47
<i>Automobile Registrations (Unadjusted)</i>	<i>6,740</i>	<i>6,308</i>	<i>5,166</i>	<i>6.85</i>	<i>30.47</i>
Initial Unemployment Claims (Seasonally Adjusted)	638	667	699	-4.23	-8.68
<i>Initial Unemployment Claims (Unadjusted)</i>	<i>589</i>	<i>667</i>	<i>645</i>	<i>-11.69</i>	<i>-8.68</i>
South Atlantic Consumer Expectations	118.0	119.1	119.8	-0.92	-1.50
Residential Building Permits (Number of Units, Seasonally Adjusted)	1,145	655	654	74.90	75.00
<i>Residential Building Permits (Number of Units, Unadjusted)</i>	<i>1,288</i>	<i>688</i>	<i>736</i>	<i>87.21</i>	<i>75.00</i>
Residential Building Permit Value (\$'000='87, Seasonally Adjusted)	41,392	33,230	35,126	24.56	17.84
<i>Residential Building Permit Value (\$=Current, Unadjusted)</i>	<i>71,783</i>	<i>52,763</i>	<i>59,698</i>	<i>36.05</i>	<i>20.24</i>
Fairfax County Labor Force					
Total Labor Force (Seasonally Adjusted)	548,116	538,832	539,277	1.72	1.64
<i>Total Labor Force (Unadjusted)</i>	<i>562,929</i>	<i>545,166</i>	<i>553,851</i>	<i>3.26</i>	<i>1.64</i>
Unemployment Rate (Percent, Seasonally Adjusted)	1.23	1.47	1.33	--	--
<i>Unemployment Rate (Percent, Unadjusted)</i>	<i>1.59</i>	<i>1.83</i>	<i>1.69</i>	<i>--</i>	<i>--</i>

Notes: All components included in the indices are seasonally adjusted. In addition, those expressed in dollar value (Building Permit Value, Transient Occupancy Tax, and Sales Tax) are expressed in constant 1987 dollars. Initial Claims are inverted prior to inclusion in the Leading Index; that is, an increase in claims results in a decrease in the index and visa versa. Because of its quarterly collection schedule, the Transient Occupancy Tax is smoothed. Unadjusted data (*italics*) and Fairfax County Labor Force data are not included in either index, but are shown for informational purposes. All percent changes are calculated from unrounded data.

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We are on the web at:
**[www.co.fairfax.va.us/comm/
economic/economic.htm](http://www.co.fairfax.va.us/comm/economic/economic.htm)**

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